

**Lecture by the Minister in The Presidency: National Planning Commission,
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Management; Donald Gordon Auditorium**

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**Planning in the South African Government and State: Public Accountability and
Governance**

Democracy in South Africa draws its remit set in the Preamble to our Constitution which enjoins us to:

- Heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights;
- Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law;
- Improve the quality of life of all citizens and free the potential of each person; and
- Build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations

Undoubtedly, the third objective sets the developmental mandate unambiguously. Obviously, we can and must measure our performance over the past fifteen-and-a-half years against this objective. We will record that significant progress has been made, but that much needs to be done.

It is the measurement of what remains to be done and the policy choices and sequencing of decisions that has resulted in the call to establish a National Planning Commission.

In looking back, we must also appreciate the reasons for the unevenness of the outcomes and design the institutions and frameworks to improve on our efforts.

Learning from elsewhere, we take a leaf from the words of India's Prime Minister, Dr Manmohan Singh, who starts the Foreword to their Eleventh Five Year Plan thus,

"India's commitment to planned economic development is a reflection of our society's determination to improve the economic conditions of our people and an affirmation of the role of the government in bringing about this outcome through a variety of social, economic and institutional means."

So, in terms of the objectives, the "affirmation of the role of government" and the instruments India provides us an example to emulate as we go about achieving our Constitutional imperative. However, we must ensure that there is a greater certainty about the role of the state – in other words, we need a greater level of certainty about the developmental state. There are almost as many descriptions as there are analysts – I have observed the debate ranging from those who argue that South Africa already encapsulates most of the key features of a democratic developmental state, on the one pole; to those who argue that the key measure of a developmental state will require much wider state ownership in the economy, requiring that the state does rather than leads. Undoubtedly, every shade of opinion between these has been canvassed.

I have previously drawn on the work of Chalmers Johnson's analysis of post-war Japan. Let me draw on the same reference again.

The idea of the Developmental State is most closely associated with Chalmers Johnson and his seminal analysis of Japan's very rapid, highly successful post-war reconstruction and reindustrialization. Johnson's central contention was that Japan's quite remarkable and historically unparalleled industrial renaissance was neither a fluke nor inevitable, but a consequence of the efforts of a Developmental State. A developmental state was one that was determined to influence the direction and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate resources. The developmental state took it upon itself the task of establishing substantive social and economic goals with which to guide the process of development and social mobilization. The most important of these goals, in Japan's case, of course was the reconstruction of its industrial capacity, a process made easier by widespread consensus about the importance of industrial development.

The emphasis has to be placed on the influence over the direction and pace of development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces.

This same view finds resonance in a work by Amiya Bagchi who argues,

"Let us see what a developmental state means in the era of the global spread of capitalism. It is a state that puts economic development as the top priority of government policy and is able to design effective instruments to promote such a goal. The instruments would include the forging of new formal institutions, the weaving of formal and informal networks of collaboration among the citizens and officials and the utilisation of new opportunities for trade and profitable production. Whether the state governs the market or exploits new opportunities thrown up by the market depends? on particular historical conjunctures. One feature of a successful developmental state is its ability to switch gears from market-directed to state-directed growth, or vice-versa, depending on geopolitical circumstances, as well as combine both market and state direction in a synergistic manner, when opportunity beckons".

Bagchi's work covers an analysis of many Developmental States since the features of such a state were first in evidence in the Netherlands from 1568. His reference to the need to "weave formal and informal networks of collaboration" is drawn from the observation that present, in each case was a strong, capable state which was able to develop norms for patriotism and discipline in society. I draw attention to this intangible feature because too often we trap ourselves in the quagmire of "policy" without any attention to the necessary contextual issues which deliver change.

To reach agreement on the perspectives of the capability of the state, accentuated with the adjective, "developmental" we must explore the full set of state actions – policy, implementation, measurement, evaluation and accountability for actions.

Too frequently, the debate stalls on name-calling about policy. Bagchi, in describing failure in India (he is writing in 2000) says, "the Indian Developmental State, some of whose planning ideologies were consciously imitative of Soviet precedents. However, socialism was only a slogan for the top Indian decision-makers." He excludes three states – Jammu and Kashmir, Kerala and West Bengal from this accusation. In India, like Brazil, the failure to undertake basic economic reforms and, particularly, to reduce the extraordinary power of rural landlords or estate owners, meant that planning existed only on paper. In reality the condition of the government, the state of readiness of the people and the power

relations between key social forces and the state did not allow planning to have a real effect on the direction of development. The Indian and Brazilian examples provides a useful mirror in which to examine our own reflection.

Implementation will not be realised unless we can transform public servants into a first-line cadre of development activists. Some actions from our present and recent past leave so much to be desired in the conduct of public servants. If our public servants are not transformed our ability to "weave formal and informal networks of collaboration" will not be realised and any notion of patriotism will fall by the wayside.

The issues of measurement have now assumed a new importance with the establishment of the Performance Monitoring and Evaluation unit under Minister Collins Chabane in the Presidency. If one observes the approach being taken to education, for example, it speaks amply to the nature of change we shall pursue. The strong arguments in education are premised on the idea that relying on the matric results alone which occurs much too late is not a sufficient measure – there must be ongoing assessment and corrective retraining of all educators.

Using education as a proxy, the evaluation of outcomes and policy effectiveness will be advanced. Further, President Zuma has indicated that he will sign public and transparent contracts with his appointees to maximise accountability. However, we must stress that this is not a matter for the President, or the Presidency, all South Africans must be involved in the shifts and transformation necessary.

Let us return to what remains undone. The continuation of poverty and inequality remains our most important challenge. One measure of this reality is in our unemployment statistics. Only 58% of the population aged between 15 and 64 is in some form of employment. This compares unfavourably with countries such as Brazil and China where about three-quarters of the adult population work. The Labour Force Survey for the first two quarters of 2009 add some 409 000 people, 80% of whom are under 30, to the ranks of the unemployed. These job losses may not be unusual in a world which is living through a deep and co-ordinated recession, but in a country where almost 50% of young African men and women have never had a job, the proportions signal a significant challenge. Development needs must appreciate this not only in the present, but also in the context of the intergenerational spread of poverty and inequality which must follow.

We also have the advantage of a comparative analysis – the United Nations Development Index, released just over a week ago, ranks South Africa 129th out of the 182 countries measured. This places us, squarely in the lower third of the rankings. The Human Development Index measures "wellbeing" – Health (as expressed by life expectancy); Knowledge (as expressed by literacy levels) and Wealth (as expressed by PPP adjusted GDP). Even as we join in the debate that GDP is a poor measure of wellbeing, we must all recognise that many other countries have improving scores whilst our own is in serious decline. We must accept the reality of inequality in South Africa. Various analysts show that inequality based on the Gini has gone up in the last 10 years. However, the interpretation of Gini co-efficients has to be treated with caution as they are based often on surveys and definitions that are not comparable. Having said this, the Gini for 2006 based on per capita expenditure is 0.69. This is high by international comparisons. However, it is important to note that the Gini is limited as a concept as it does not measure a variety of income distribution initiatives that the government introduced like access to housing and other services. Nevertheless, these two features – poor human development and high

inequality are the shadow of history that we must address in order to "Improve on the quality of life of all citizens and free the potential of each person."

Because we are in the bottom third of HDI, there are a series of other concerns that arise in the context of development. One of the key issues that we should focus on is our ability to converge with peer-group countries, especially those classified as Upper Middle Income. It is in this regard that the slippage is even more worrisome. The economist, Robert Jackman, made a study of the patterns of world growth that are quite scary. He discovered what he called the "modified Matthew effect". In the Bible, the Book of Matthew contains a reference to the continued accumulation of wealth by the rich and the further impoverishment of the poor. By the "modified Matthew effect", Jackman meant that both the high-income and middle income countries were growing richer while the poor fell further behind. "Convergence theorists later made reference to such a pattern which they referred to as 'modified convergence'. Here the countries predicted to converge – the so-called convergence club – did not include the poorest countries, which lacked the human capital to take advantage of their high-growth potential" (My emphasis)

Many of the poor and the unemployed in South Africa are similar to the poor in the poorest countries and convergence presents itself as an enormous difficulty because of the skills gap. These features of underdevelopment are what will make the Planning function both exciting and important.

South Africa continues to display so many of the characteristics of a frontier society – opportunities await those who are in the right place at the right time and are suitably connected. Consequently, we always highlight our strengths – mineral resources, finance and tourism - and we tend to ignore our weaknesses people, skills and apartheid spatial planning. Whilst it is clearly in nobody's interest to adopting collective wretchedness as a national character trait, we must realise that continuing to emphasise only our strengths is anti-developmental.

Against this backdrop, we must set course for reversal. We acknowledge, as a start, that we would all want to live in a "High Growth, High Skill, High wage, High Labour Absorbing economy, rounded off with a strong score on the Human Development Index." But, we are neither Norway nor Singapore. We are South Africa, we must appreciate our endowment and set about to meet the Constitutional imperative.

We have set out the tasks as follows:

1. We must firstly, invite all South Africans to set out the issues that matter to them so that we can synthesise a longer-term Vision, and use such vision, supported by empirical evidence as a baseline of information. It is important to emphasise that this Vision does not substitute for the planning process, its importance resorts in the national conversation, a forerunner to weaving "formal and informal networks of collaboration." The task will be considerably easier if there is a higher degree of ownership.

The vision should include matters relating to the reduction of poverty and inequality: the employment prospects for people; matters relating to a reduction in levels of crime; improvement in the health profile etc.

2. Secondly, we must establish the National Planning Commission. The Green Paper is a "consultation document setting out a proposed policy position, in this case the position of national government on planning at the centre of government." I want to emphasise that we chose Parliament as the recipient of critique and proposals. The model we have

advanced is that of a National Planning Commission comprising about 20 respected intellectuals and experts able to bring fresh insight into the development of a long-term plan for South Africa. The NPC is described as a "permanent institution with part-time commissioners." The Green Paper recognises that the Executive Authority vests with the President and that he exercises this with other members of the Cabinet. Cabinet is then the final arbiter and the proposals of the NPC will be referred to Cabinet.

3. Under the aegis of the NPC there will have to be a series of investigations. These could cover matters as diverse as long-term macro social and demographic trends; availability and sources of water and energy; food security; bio-diversity and climate change mitigation and adaptation; innovation, technology and equitable economic growth; the national health profile; capability and performance of the public service and public transport.

4. The observations from these studies must then be melded into a plan – probably in 5-year segments. There are a range of examples – good and bad – available from other countries. These will offer learning points but we emphasise continually that we will forge our own path taking account of our "particular historical conjuncture". We envisage that these plans – probably between their being availed by the National Planning Commission and their adoption by Cabinet, will have to be tested by Parliament.

5. These outcomes will be important – the electoral mandate, which provides the framework for these plans, through the Medium Term Strategic Framework, provides the guiding framework. Priorities will have to be restacked in the context of resource availability. The trade-offs between the long-term and the immediate will have to be effected. It is fundamental that these matters are treated as part of a framework for accountability of the government.

We accept that the task of planning will be incredibly difficult. Its reach goes far beyond a technical exercise. It is worth repeating the notion that the technical side of planning must be buttressed by the politics of discipline and patriotism. The most difficult part of the assignment is that as government, through all three spheres, we must learn new ways of doing things; we must accept that priorities will be centrally determined and that performance will be measured. In many respects, the responsibility of government departments and agencies will be to advise on the long-term plan and vision, to detail the policies to attain the vision and to intermediate between the long-term and the immediate – all of this will be entirely new. But, we must engage in an entirely new approach to development planning. As the economist James K Galbraith reminds us

"A state that does not plan does not, by default turn this function over to the market. Even if the market is perfectly efficient, it still suffers from two ineradicable defects. The first relates to the distribution of income and power: the market conveys signals only in relation to the purchasing power of the individuals transmitting them. The poor do not matter to the market. The second relates to representation: people not yet born do not turn up at the stores. They send no market signals at all".

Success will be a truly national product.

Thank you.

